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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003139

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TAGS: [PREL](#) [PGOV](#) [PINR](#) [CH](#) [TW](#)

SUBJECT: POLITICAL POSITIONING IMPACTING FOREIGN POLICY

REF: A. TAIPEI 1619

[B](#). TAIPEI 3002

[C](#). TAIPEI 2806

[D](#). TAIPEI 1684

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

[1](#). (C) Summary: Internal political maneuvering for the 2008 presidential nomination is increasingly spilling over into the cross-Straits and foreign policy arenas. Premier Yu Shyi-kun's advocacy of a cross-Straits "balance of terror" is the latest in a string of unauthorized statements that insiders say are aimed at shoring up his position within the Democratic Progressive Party (DPP). President Chen Shui-bian has publicly rebuked Yu on more than one occasion, but observers say he is unlikely to take firmer action against either Yu or Vice President Annette Lu for fear of unbalancing the competition among the four contenders for future DPP leadership. Chen's willingness to award key foreign policy posts to followers of Yu and Lu, the clear underdogs among the would-be candidates, has greatly exacerbated this problem. DPP moderates hope that Chen will exert more control after the December legislative election, but many inside the party warn that this situation may continue until 2007, when the formal party nomination process begins. End Summary.

Lame Duck or Kingmaker?

[2](#). (C) A string of recent unauthorized statements by Premier Yu Shyi-kun and Vice President Annette Lu on cross-Straits and foreign policy (Reftels) appear to be an outgrowth of President Chen Shui-bian's decision to encourage a four-way competition between candidates for the DPP's 2008 presidential nomination. While Presidential Office and National Security Council (NSC) officials fume over this lack of discipline, they say that President Chen is unlikely to curb either Yu or Vice President Lu for internal political reasons. Presidential advisors tell AIT that Chen fears that, if a clear front-runner for future leadership emerges too early, he will find himself a lame duck early in his second term.

[3](#). (C) While most observers believe only Presidential Office Secretary General Su Tseng-chang and Kaohsiung Mayor Frank

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Hsieh have a realistic chance of leading the DPP's 2008 ticket, Chen continues to encourage Yu and Lu to maintain aspirations for the presidency. National Taiwan University Professor (and former Mainland Affairs Council Senior Vice Chairman) Chen Ming-tong asserted to AIT that "a four-way race is less destabilizing than a two-way race." Chen predicted that the president would keep Yu in the running until the DPP nominating process opens in 2007. Presidential Office Deputy Secretary General James Huang told AIT that, while Yu's ignorance of foreign and cross-Straits policies make him clearly unqualified for higher office, his control over Executive Yuan (EY) resources will keep him in the running indefinitely.

Yu: Puppet with Many Masters

[4](#). (C) Yu's sudden activism on foreign policy came as a surprise to many DPP officials, who have longed dismissed the premier as a colorless Chen Shui-bian yes-man. Some presidential advisors assess that Yu has fallen under the influence of a cadre of hard-line advisors. NSC Senior Advisor for cross-Straits policy Chen Chung-hsin asserted that Yu is being fed his lines by Executive Yuan (EY) Secretary General Arthur Iap (Ye Guo-xing) and Government Information Office (GIO) Director General Lin Chia-lung. "Yu is completely ignorant about foreign policy," the NSC's Chen asserted, "Iap and Lin are simply using him as their mouthpiece." NSC Staffer and Tsai Ing-wen confidante Chang Hsieng-hwei offered a similar assessment, adding that the weak-willed Yu provided an easy target for his two aggressive advisors. "Iap is acting as Yu's spine" she continued, "and Lin as his brain."

[5](#). (C) Yu's recent references to offensive weapons and

containing PRC expansionism closely track a policy line espoused by the Taiwan Think Tank (TTT), a group created by the GIO's Lin in 2001 with substantial financial support from Chi-mei Electronics Group founder Hsu Wen-lung, a close relative of Lin's wife. Taiwan Institute for Economic Research (TIER) Vice President David Hong characterized the TTT as the intellectual force behind the hard-core "Taiwan first" school of foreign policy that appears to hold sway over the premier and his inner circle. TTT Foreign Policy Studies Director Lai I-chung has told AIT that Taipei's policy should focus on strengthening cooperation with like-minded counterparts in the U.S. executive and legislative branches to counter the "pro-China" bias of the State Department and AIT. Closer to home, Lai warned that the growing power of NSC SecGen Chiou I-jen and his moderate New Tide faction threatens to weaken Taiwan's resolve to face the PRC threat. The EY's Iap has made a similar case in conversations with AIT, noting that Taiwan's ultimate goal should be to serve as the front-line of a U.S.-Japan-Taiwan alliance against PRC expansionism.

Lu: Flakes and Fundamentalists  
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16. (C) While Yu has been more outspoken of late, DPP moderates also remain wary of Vice President Annette Lu's potential to cause mischief by pushing her traditional pro-independence fundamentalist ideology. Many observers see the vice president's fingerprints on a range of key foreign policy appointments, including MAC Chair Joseph Wu, NSC Deputy SecGen Parris Chang, Foreign Minister Mark Chen, MOFA Policy Chief Yang-huang Mei-shin, Tokyo Representative Ko Se-kai, and Deputy TECRO Washington Rep. Joanna Chang. NSC officials tell AIT that the New Tide faction and the vice president clashed sharply over leadership appointments at both MAC and the NSC after March 20, with Lu prevailing on the former and New Tide on the latter (Ref A). In recent weeks, Lu herself has remained relatively quiet (her allies in government much less so). DPP insiders point out that her main strategy of late has been to insist on joining the president at nearly all of his public events, reportedly upsetting a presidential security detail still jumpy after the March 19 shooting incident.

Moderates Muted, For Now  
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17. (C) Chen's apparent indulgence of Yu and Lu has not extended to front-runner Su, according to associates of the Presidential Secretary General. Taipei County Magistrate and long-time Su lieutenant Lin Hsi-yao told AIT that Chen regularly warns Su to keep a low profile, especially when dealing with the premier and vice president. Lin said Su feels under enormous pressure in his new post, in part because he often disagrees with Chen's handling of cross-strait policy and constitutional reform. "Su hates that Chen keeps changing his tune (bienlai bienqu) on these issues," Lin asserted, "but he knows that if Su's real views were to get back to Chen, Su's future would be in jeopardy." Lin added that, for this reason, AIT should view anything Su says in public or private as reflecting the president's thinking, not his own (Note: Before assuming his current post, Su was extremely candid with AIT in his assessment of controversial Chen initiatives. However, he has been much more discrete over the past five months, even in private. End Note.) New Tide political strategist and Strait Exchange Foundation (SEF) Deputy Secretary General Yen Wan-ching told AIT that faction leaders recently moved their weekly strategy sessions with Su from his office to a more secure location for fear that Chen would find out and suspect Su of intriguing.

18. (C) DPP moderates hope that the current situation will improve after the December election. Taipei County's Lin asserted that the president has clearly tired of Yu's constant verbal missteps. He estimated the chances that Yu would be replaced in favor of Su in February at over 80 percent. The SEF's Yen also predicted a shake-up, but he said it was too early to say whether it will be Su, or Kaohsiung Mayor Frank Hsieh, who will get Yu's job. Like Su, Hsieh has kept a low-profile since the election. However, Presidential Office Deputy SecGen Huang was less confident about an early turnover in power. "It will be hard for the president to replace Yu if the DPP does well in the December election," he assessed, adding that such a move would end Yu's hopes for future office. Chunghwa Institute for Economic Research (CIER) Vice President Chang Jung-feng, a long-time Lee Teng-hui confidante and ex-Chen NSC Deputy Secretary General, told AIT that it looked like the four-way

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race would dominate DPP politics for the next four years. Chang said that former President Lee told him on September 27 that recent events have made him increasingly depressed over Taiwan's future. "All the Pan-Blue thinks about is March 20, 2004 and all the DPP thinks about is March 22, 2008," Chang

quoted Lee as saying, "no one is worrying about the real challenges facing Taiwan."

#### Healthy Competition or Balance of Terror?

19. (C) NTU's Chen Ming-tong urged AIT not to worry about the emergence of a hard-line faction around the premier or fundamentalists like Lu and FM Chen, because their positions will be balanced by moderates at the NSC and Presidential Office. "Just like in the U.S., policy is the result of a consultative process among a diverse set of interests," Chen added. However, Hakka Affairs Council (HAC) Minister (and long-time CSB "boy scout") Luo Wen-chia warned AIT that if the president does not exert leadership quickly, the hard-line and fundamentalist groups, despite their mutual dislike for one another, may push policy towards the promotion of a hard-edge "Taiwanese nationalism" that might sooner or later run head-on with the growing trend towards Chinese nationalism on the Mainland. "If Chinese and Taiwanese nationalism clash," he added, "we lose." Luo said President Chen still has time to head this off, but to do so, Luo added, he will need to exert leadership now, not simply remain above the fray.

#### Comment: Chaos or Calculation?

10. (C) While the March 20 election has forced almost everyone in the Pan-Blue to acknowledge that leadership change is inevitable, President Chen is trying hard to manipulate and delay the onset of serious debate within the Pan-Green about his successor. He has strong domestic political reasons to delay a DPP consensus about his heir apparent, and that has apparently made him eager to encourage the aspirations of the two weaker competitors for the 2008 nomination - Yu and Lu - and to tolerate their repeated diversions from the policy course he laid out in his inaugural address.

11. (C) Chen, however, has acknowledged that he understands the costs of these diversions to his cross-Strait and U.S. policies, and he and the DPP have shown in the past that they know how to close ranks and enforce discipline when they choose. This leaves us with only two possible explanations for why Chen has been willing to tolerate this rhetorical chaos. The first, and perhaps more charitable, is that he cares only about winning the December legislative elections, and he is convinced once again that he can somehow fix the international side-effects after December. In short, he is willing to risk Taiwan's security to win greater domestic political power. The second, and more troubling, is that he understands and endorses what Yu Shyi-kun, Mark Chen and Annette Lu are saying and that he has decided that the best way to advance those proposals is to allow them to stretch the international envelope. This enables him to maintain deniability in order to avoid an immediate confrontation with China or with us. Given Chen's mastery of indirection, we are not certain which is his real intent.

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